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# MONTANA JUDGES' RETIREMENT SYSTEM



## SECOND ANNUAL REPORT

1968 - 1969

1712 Ninth Avenue

Helena, Montana

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MONTANA JUDGES' RETIREMENT SYSTEM  
1712 Ninth Avenue  
Helena, Montana 59601

October 31, 1969

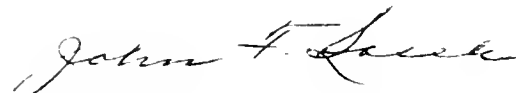
Honorable Forrest H. Anderson  
Governor of Montana  
State Capitol  
Helena, Montana 59601

Dear Governor Anderson:

The Montana Judges' Retirement Board, which administers the Montana Judges' Retirement System, and which is composed of the same members which constitute the Board of Administration of the Public Employees' Retirement System, as provided for in Section 93-1109, RCM, 1947, take great pleasure and satisfaction in submitting to you and the honorable members of the Forty-first Legislative Assembly of the State of Montana this second annual report of the operations and progress of said system for the fiscal year ended on June 30, 1969.

Respectfully submitted,

Montana Judges' Retirement System

  
John F. Sasek, Secretary



## REPORT AS OF JUNE 30, 1969

For the Period Beginning July 1, 1968 and Ending June 30, 1969

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### BOARD OF ADMINISTRATION

A. C. GRANDE, JR., Martinsdale-----April 1, 1970-----President  
MONS L. TEIGEN, Helena----- (Term Expired April 1, 1969) Vice President  
HUBERT G. WHITE, Townsend-----April 1, 1973-----Vice President  
FRED L. HILL, Great Falls-----April 1, 1972-----Member  
HON. JACK D. SHANSTROM, Livingston-----April 1, 1971----Member  
TED SCHWINDEN, Helena-----April 1, 1974-----Member

### ADMINISTRATIVE STAFF

JOHN F. SASEK-----Secretary  
MARIE O. KLEMME-----Benefits and Claims  
LAWRENCE P. NACHTSHEIM-----Accounting  
MICHAEL J. HUGHES-----Attorney  
MILLIMAN & ROBERTSON INC., Seattle---Consulting Actuaries



## SUMMARY OF OPERATIONS

The Fortieth Legislative Assembly of the State of Montana established the Montana Judges' Retirement System on March 2, 1967, when it enacted Chapter 289, 1967 Session Laws, and the same was approved by the Honorable Tim Babcock, Governor of Montana. The retirement system was established to provide service retirements to superannuated members, disability retirements to incapacitated members, and death benefits to beneficiaries of members who are either justices of the district courts or justices of the supreme court of the state of Montana.

The Montana Judges' Retirement System is financed from fees collected by the clerks of the district courts of Montana and the clerk of the Supreme Court of Montana in accordance with the provisions of Chapter 218, 1967 Session Laws of Montana, effective as of March 1, 1967, the employee contribution of judges to the Public Employees' Retirement Fund prior to July 1, 1967, and the interest on said contributions transferred from its Annuity Savings Fund and its Annuity Savings Fund Interest Reserve to corresponding funds in the Montana Judges' Retirement System, the employee and employer contributions to the Judges' Retirement Fund from and after July 1, 1967, and the return on investment of those funds by the Montana Judges' Retirement Board.

The fees collected from July 1, 1968 to June 30, 1969 were from the Supreme Court, \$9,378.94 and the district court, \$59,010.48, a total of \$68,389.42.

Employee contributions for the fiscal year were \$28,563.84 while employer contributions were \$25,979.72, Supreme Court fees, \$9,378.94 and district court fees \$59,010.48. Interest on Assets earned and received was \$18,313.60.

Disbursement for benefits during the past fiscal year totalled \$34,383.92.

Assets as of June 30, 1969 were \$408,072.34.

There were 29 active members of the retirement system, 5 retired members and 1 survivorship beneficiary.





# MONTANA JUDGES' RETIREMENT SYSTEM

## STATEMENT OF CASH RECEIPTS & DISBURSEMENTS

Fiscal Year Ended June 30, 1969

### Receipts:

Member Contributions	\$ 28,563.84
Employer Contributions	25,979.72
Supreme Court Fees	9,378.94
District Court Fees	59,010.48
Investment Income	17,185.44
General Fund Appropriation for Expenses	1,500.00
	<u>\$141,618.42</u>

### Disbursements:

Refund of Member Contributions	\$ -0-
Benefits Paid	34,383.92
Operating Expense	2,401.59
Unexpended General Fund Appropriation	508.62
	<u>\$ 37,294.13</u>
Net Increase in Reserve Funds	\$104,324.29
Reserve Fund Balances, July 1, 1968	<u>\$303,748.05</u>
Reserve Fund Balances, June 30, 1969	<u><u>\$408,072.34</u></u>

# MONTANA JUDGES' RETIREMENT SYSTEM

## STATEMENT OF FINANCIAL CONDITION

June 30, 1969

### ASSETS

Cash on Deposit	\$ 28,465.01
Investments - Schedule I (Stated at Amortized Cost)	379,607.33
	<u>\$408,072.34</u>

### LIABILITIES

#### Reserve Funds:

Annuity Savings - Members' Contributions	\$149,006.46
Annuity Savings Interest Reserve	30,898.83
Annuity Reserve Fund	63,665.82
Pension Accumulation Fund	164,501.23
	<u>\$408,072.34</u>



# MONTANA JUDGES' RETIREMENT SYSTEM

## SCHEDULE OF INVESTMENTS

June 30, 1969

Public Utility Bonds:	<u>Rate</u>	<u>Maturity</u>	<u>Par Value</u>	<u>Book Cost</u>
Chesapeake & Potomac Telephone	6.750	2008	\$ 30,000	\$ 30,104.00
Connecticut Light & Power	6.500	1998	35,000	35,000.00
Duquesne Light Co.	7.000	1999	35,000	34,827.00
Mountain States Telephone	6.000	2007	190,000	190,666.00
Northwestern Bell	7.000	2009	15,000	15,000.00
Ohio Bell	6.750	2008	38,000	38,189.00
Pacific Northwest Bell	6.750	2007	35,000	35,821.33
			<u>\$378,000</u>	<u>\$379,607.33</u>



# ANALYSIS OF CHANGES IN RESERVES JUDGES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30, 1969

<u>Name of Fund</u>	<u>Balance at Beginning of Year</u>	<u>Income in Excess of Expenditures</u>	<u>*Net Interest Distribution</u>	<u>**Net Transfers</u>	<u>Ending Balance</u>
Annuity Savings Fund	\$130,355.88	\$28,563.84	\$ ---	\$(9,913.26)	\$149,006.46
Annuity Reserve Fund	55,287.57	(6,832.10)	2,877.59	12,332.76	63,665.82
Pension Accumulation Fund	91,491.23	66,817.32	6,192.68	---	164,501.23
Annuity Savings Interest Reserve Fund	<u>25,203.16</u> \$302,337.84	<u>-0-</u> \$88,549.06	<u>8,115.17</u> \$17,185.44	<u>(2,419.50)</u> -0-	<u>30,898.83</u> \$408,072.34
General Fund		<u>July 1, 1968</u>	<u>Expended</u>	<u>Unexpended and reverted to General Fund</u>	<u>Ending Balance</u>
Appropriation Reserve	\$ 2,910.21	\$(2,401.59)	\$ (508.62)		\$ -0-

\* Interest transferred in accordance with the computations of the Consulting Actuary.

\*\* Includes transfers from Public Employees' Retirement System.

( ) Indicates a subtraction.



MONTANA  
STATE JUDGES' RETIREMENT SYSTEM

ACTUARIAL BALANCE SHEET

Based on June 30, 1968, Valuation

ASSETS

1. Funds on hand as of June 30, 1968	\$ 303,748
2. Present value of future contributions from members (6% of future salaries)	249,180
3. Present value of future contributions from State	
a. Basic rate (6% of future salaries)	249,180
b. Balance of "new member" rate (4.75% of future salaries)	197,268
4. Additional future contributions required	<u>684,124</u>
5. Total assets	<u><u>\$1,683,500</u></u>

LIABILITIES

6. Present value of benefits to members already retired	\$ 294,533
7. Present value of service and disability retirement benefits to active members	1,089,572
8. Present value of death benefits to active members	<u>299,395</u>
9. Total liabilities	<u><u>\$1,683,500</u></u>





## Comments on Actuarial Balance Sheet

One of the purposes of an actuarial balance sheet is to enable the Board, by reference to the periodic statements of this nature, to determine whether or not the contributions are adequate to provide the benefits promised without impairment to the Fund. The following comments are offered to provide a more complete understanding of certain of the items shown on the preceding actuarial balance sheet:

Item 1 shows the reported assets as of June 30, 1968, or \$303,748.

Item 2 is the actuarial present value of future contributions from members, assuming a rate of contribution of 6% of salaries.

Item 3 is the actuarial present value of future contributions from the State, assuming a rate of contribution of 10.75% of members' salaries. This is the total rate of contribution needed from the State on behalf of a new member.

Item 4 shows the additional future contributions required for the Fund, or the actuarial deficit. This is determined by comparing all of the present and future liabilities on account of the present active and retired members, with all of the assets which would be available to the Fund on their behalf. In this computation, the basis of future contributions shown in Items 2 and 3 has been used. This deficit is overstated to the extent that there will be additional State contributions resulting from fees beyond the 4.75% of members' salaries assumed in Item 3. The deficit is understated to the extent that future salary increases occur.

Item 6 is the present value of all allowances now payable to retired members of their beneficiaries. These allowances are assumed not to increase in the future.

Item 7 represents the present value of the anticipated service and disability retirement allowances payable in the future to present active members, including the liability on account of the cash refund payment to the beneficiary after the death of the retired member. No provision has been made for increasing the allowances after retirement.

### D. COMMENTS AND RECOMMENDATIONS

Based upon the membership data and the various actuarial assumptions adopted, we have determined that if the members contribute 6% of salaries and the State contributes 10.75% of salaries (the rate needed for a new member), there will be an actuarial deficit under the System of approximately \$684,000. This deficit results because the member and the State have not been making contributions on the above basis since the date each member was employed.

The above deficit is referred to as the unfunded liability. If this unfunded liability is amortized over a 35-year period from the valuation date, the annual contribution toward this liability would be equivalent to 9.00% of current payroll (assuming an interest rate of  $4\frac{1}{2}\%$  per annum).





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